

# PHILADELPHIA & READING RAILROAD.

## VERBATIM REPORT

OF

## PROCEEDINGS

AT


Meeting of Share and Bondholders,

HELD AT

CANNON STREET HOTEL,

DECEMBER 23RD, 1880.

*SIR HENRY W. TYLER, M. P., Chairman.*



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PHILADELPHIA AND READING.

The Chairman (Sir Henry W. Tyler, M. P.) said: Gentlemen, I have been asked to take the chair at this important meeting to-day, and I have had great pleasure in acceding to that request for various reasons. It has been my lot to appear too frequently in this room pleading for companies or undertakings in temporary distress—(hear, hear)—and it has been also my lot at successive meetings to see those companies improving and advancing towards prosperity. (Hear, hear.) Now, gentlemen, I sympathise with a brother president who is in distress, and I therefore have great pleasure in coming here to introduce him to you to-day. I also appreciate the manly feeling with which he comes across the Atlantic to meet face to face all those who are willing to discuss with him the condition of the property over which he presides, and who are willing to assist and co-operate with him in placing it in a better position, and also to meet those gentlemen who are of a different way of thinking, who would not meet him quite with friendly feeling, and who would find fault with him and criticise what he has been doing. I believe that he has a ready answer to all criticism which may be made upon his conduct in the past, and in regard to that of the people with whom he has been associated. (Hear, hear.) Another reason why I am happy to appear on the present occasion to support Mr. Gowen is, that this is a vast property, largely held by English proprietors, and I feel it a duty to assist in any way in my power in promoting the interests of those English proprietors. (Hear, Hear.) Now, this property, the Philadelphia and Reading Railway and Coal and Iron Company, is connected, in the first place, with Philadelphia, a city of enormous magnitude and importance—a city of which those who have not visited it will hardly be able to realise the greatness. It contains, I believe, something like one million of inhabitants, it has no less than 9,000 large manufactories, employing something like 200,000 people, and turning out in the year £60,000,000 of products. (Hear, hear.) Now, this vast city is connected by the Reading Railway with the great anthracite

coal field of Pennsylvania, and that coal field has been largely purchased by Mr. Gowen and those interested in the railway, and it is, no doubt, to that purchase all the misfortunes of the Reading Railway are mainly due—I may say entirely due—for, in order to acquire vast amounts of acreage of that coal field they have got so heavily in debt that at length they have been obliged to succumb and ask for a measure of relief in order to put their affairs on a better footing. This is not like a property that is worthless, a property that is hopeless, or a property to which you will despair doing any good; but it is a vast and valuable property. (Hear, hear.) It is an undertaking in regard to which only certain conditions are required in order to restore it to a position of prosperity. Now, in all undertakings there are certain things necessary when they get into distress. It is not great genius that is required, but it is care and industry, and judicious management and pluck and perseverance. Those are the qualities that are required to restore this property, and I believe Mr. Gowen pre-eminently possesses those qualities. (Cheers.) Now, gentlemen, I am not going to advocate any persons, or any scheme, or anything at all in this matter; but all I want to do is to hear myself what Mr. Gowen has to say, and to ask you to kindly hear him and to bear with him, or hear anybody else who has anything to say on the opposite side, and then we will all consider together what is the best scheme to be adopted and what is best to be done in the matter. (Hear, hear.) And, gentlemen, we should hear both sides of the question, calmly discussing it without any angry controversies, because in all matters of business personal feeling and personal controversies are the ruin of all profit; therefore I would ask you to-day to discuss this matter in a fair, quiet, and friendly spirit, and then we shall be able to come to a right judgment upon what is best to be done. With these few words I beg to introduce Mr. Gowen to you, who will now make his statement to the meeting. (Applause.)

Mr. Franklin B. Gowen, who was received with cheers, said:—Mr. Chairman and Gentlemen, for the second time within a few years I am obliged to appear before a London audience of our own holders and tell them very frankly that I have not been able to do what I promised; but the causes to which I will refer before I am done will, perhaps, sufficiently exonerate me in your judgment from blame for what I am sure has been but a temporary failure. I want here, in the first place, to admit at once two mistakes of which I have been guilty. One of them was this—That when we undertook the purchase of this vast estate of coal lands, at a time when both the share capital and

the debt capital of the company were commanding a very high price in the market, and when our credit was practically unlimited, after mature reflection and consideration, we determined to raise the money by debt instead of open share capital. That was the first mistake, as events have developed themselves up to to-day. Whether that will be considered a mistake in the future or not I very seriously doubt, but certainly during the times that have passed since we made these purchases the increase of an interest-bearing debt instead of an open capital account may fairly be treated as an error. I admit that. (Hear, hear). The second mistake, for which I believe I am myself more responsible than any body else, is that when we had our first reverse three years ago we did not stop and do what we are now doing, and I believe no one is responsible for that but myself. I was advised by a great many people much older than myself that the task was a hopeless one, but I thought I could carry it through, and I did carry it through during many years of depression, and at last I stopped for want of £100,000, which I could have got the day I stopped; but as I could not see my way to pay it I would not take the money. I admit no one is responsible but myself for that mistake; but I thought I could carry the load, and, if it had not been for the very sudden and alarming depression in the iron trade in the early part of the present year, it would have been carried through. (Hear, hear.) I am here, therefore, to admit that I have been unable to perform my promise to you, but I am glad to bring with me to-day, and to lay before you some little evidence of returning prosperity to show that the tide is changing. I can say that during the past year when for nine out of the twelve months we worked but half-time we have earned fully  $2\frac{1}{4}$  millions of dollars more than we did last year. (Applause.) And I have great satisfaction, as justifying the predictions I have made in the past as to the earning power of this company, in reporting to you that in the only three months of the year when we were able to work full time we increased our profits more than a million and a-half over the same period of last year. It is enough for me to say that if such an increase of profit had been carried over six months—certainly if it had been carried over eight months—every prediction I made in this room three years ago would have been abundantly realized. I know that there are a great many people, and I have been subjected to my full share of personal abuse from some of them, who consider that the first duty of to-day is to give up all attempts to rescue this property from danger and to sit down and criticise and find fault with the management. I differ entirely from them. (Loud



applause.) In saying this I do not desire to shirk the full extent of the responsibility that attaches to me. I may not be very well known here, but those who know me at home will tell you that I am willing to stand up like a man and take what I have to bear in the way of criticism. I know perfectly well that if I had succeeded I should have received no little share of glory, and I am perfectly willing, as every leader must be, to bear all the responsibility of disaster. I will come here at any time after I have got the vessel safely into port, and submit to your decision as to whether my commission shall be suspended or revoked; but so long as we are among the breakers and the storm, I propose to hold on as captain of the ship, and get her into safe waters. (Loud applause.) Now, gentlemen, as to the difficulty of the present, and as to the fair and honorable way of meeting that difficulty. We have two difficulties in the finances of the company, one of which is, that we have a large floating debt, for which great and valuable securities are pledged, and the other is, that we have fixed annual charges greater than the earning power of the company during periods of depression. About the propriety of having incurred this floating debt I simply want to say this: that until the period at which we stopped in 1876, it was never increased beyond the then current market value of the unissued bonds that we had laid aside to meet it—never. When we met with reverse and the securities of the company went down to fifty cents on the dollar, and it was impossible to relieve the company by selling them without the danger of having to pay 10 or 12 per cent. for the money, I declined to sell any securities, or to issue any bonds. I could look into the future, and knowing what I knew about the value of this property, I could not during my term of office saddle the company with the liability of paying for thirty or forty years 12 per cent. for money for relief from merely temporary difficulties. (Applause.) We had, moreover, in the treasury of the company, a vast amount of valuable collaterals. We had 5,000,000 of the general mortgage bonds; we had other bonds; we had 5,000,000 or 6,000,000 of the best securities of the leased lines, paying over 6 per cent. rates of interest, that from time to time, as we could afford it, we had bought, and we had other valuable securities, all of which, added together, were worth from \$17,000,000 to \$18,000,000. With these securities we have borrowed all the money we wanted. I believe I can say that, with trifling exceptions, we did not pay more than 6 per cent., which was the legal interest in the State of Pennsylvania, and 7 per cent. in New York, and upon less than one-tenth certainly

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we paid commissions, and they were the usual broker's commission, when we had to resort to them to raise money. It was, therefore, better for the future of the company to raise money by pledging its securities at 6 or 7 per cent. than to incur a perpetual, or long time, obligation of 10 or 12 per cent.—and we did it. (Hear, hear.) This floating debt to-day amounts to some \$10,464,000; there are also out-standing receivers' certificates amounting to \$2,279,000, and we are in default on our own obligations to the extent of some \$730,000. That constitutes all the liabilities that are at all pressing upon us, and for the protection of which any collateral securities are pledged. It is necessary, therefore, in the first place, to raise the money to pay this debt. Now, the natural way to raise money when a concern is in difficulty is to ask the shareholders for an assessment. It is, I admit, the duty of the shareholders to provide the means for paying this debt. Unfortunately, however, the company has no legal power whatever to compel any of its shareholders to pay a single cent of money. Whatever may have been said or printed about the personal liability of the shareholders of the Philadelphia and Reading Railroad Company, I can assure the gentlemen here present, upon my reputation as a lawyer—which I think during the present time is possibly a little better than that as a railway man—(applause)—that there is no personal liability whatever. There was, indeed, some twenty or thirty years ago an attempt made by the Legislature of Pennsylvania to impose a personal liability upon the shareholders of the Reading Railroad Company, and that imposition was made in set terms and phrases. It would, however, have been necessary to compel all shareholders to be joined in one suit to enforce the payment, and no such suit could have been brought until after the exhaustion of all the assets of the company, and so even if there had been any power in the Legislature to impose the liability, the terms in which it was couched would practically have relieved the shareholders from any but a sentimental danger. There is, however, in America a written constitution in every State, and there is a written constitution of the United States which defines the extent to which the Legislatures of the different States have power to go. Every Legislature in America acts, therefore, under a written constitution defining its powers, and, unlike the British Parliament, which it is said can do everything which is not naturally impossible, an American Legislature can do nothing in violation of a constitution which says that when a contract is once made, the Legislature has no power whatever to alter, vary, or change its terms in any respect, and it follows that when the charter between the State of Pennsylvania and the Reading Railroad

Company defined the liability of its shareholders, and when the contract between the shareholders and the company limited the liability of the shareholders to the sum of \$50 per share, the Legislature had no more power to alter or vary that contract, or to impose additional liability upon the shareholders, than any gentleman here present may have. It is perhaps somewhat unfortunate for the credit of the Company that there is no present liability, because if it existed, you can very well see that all that was necessary to do to rescue the company from its difficulties was to impose an assessment of \$15 per share upon each shareholder, and the shares would immediately have had an additional market value greater than that assessment, and there would have been no loss or danger to any one resulting from its payment. But it would be hopeless to attempt to impose an assessment which we had no legal power to enforce, or to ask those who were willing to pay to do something for the benefit of those who were not. After great consideration the plan of issuing a deferred security was adopted. I am here now to explain that plan, to say what it is, why it should be adopted, and to show the benefit that will result to the company from its adoption, and the advantages that I think will accrue to the shareholders who may join in it. I want \$15 a share from the shareholders, and I propose to ask them for a voluntary assessment of that amount, which no one need pay unless he desires to do so. To every one who will pay \$15 we propose to give an obligation of the nominal value of \$50, which is never to mature—with no liability on our part to pay the principal of the debt, and which shall entitle the holder, after the common shares have had 6 per cent. dividend, to all that is earned up to 6 per cent., and thereafter to rank for any further dividend *pari passu* with the common shares. Now, let us look first at the effect which the security—and the success of it—will have upon the treasury of the company, and the subsequent ability of the company to succeed in its undertakings. It will instantly release and turn over into the treasury of the company securities which have a market value to-day of over \$20,000,000, which it would be a great loss and injury to the company to part with, even at \$30,000,000. We will reduce our fixed charges by this \$600,000, and will convert our present floating debt, upon which we are obliged to pay at least 6 per cent., whether earned or not, into an obligation upon which we need pay nothing until it is earned. But what will be the effect to the shareholder who will take it as compared with the shareholder who will not? The shareholder who will take it in times of prosperity will get 6 per cent. upon his original investment of \$50, and will get an additional



6 per cent. upon the nominal value of \$50, for which he will have paid but \$15, or equal to 20 per cent. I saw an article in the *Daily News* this morning referring to this scheme, and saying that it imposed a liability on the company of 20 per cent.; but that is to be paid to its own shareholders, the owners of the company. Now, if every shareholder took his exact quota of deferred stock it would make no difference whether it was issued at 1 per cent. or 10 per cent., or 15 per cent. Each shareholder who pays \$15 has an investment of \$65, and upon that investment his dividends will be paid. For many years the company, before its late reverses, was paying 10 per cent. and earning often 12 or 13 per cent. Now, it took to pay 10 per cent. in olden times upon the share capital of the company \$3,400,000. It only takes a little over \$4,000,000 now to pay 6 per cent. upon the common shares, and 6 per cent. upon the par of the deferred bonds. That is only £136,000 additional per annum required to pay 6 per cent. on the common shares, and the 6 per cent. upon the deferred bonds. That is not a very serious increased liability, and when I tell you that the traffic of this company is to-day of such magnitude that sixpence per ton upon its tonnage of this year is equal to 5 per cent. upon the share capital, you must see that there is a great future reserved for it. (Hear, hear.) If anybody tells me that the reversion of the earnings of this company, after paying 6 per cent. on its share capital, is not worth \$10,000,000, he knows little about the extent of the property; and any shareholder, or association of shareholders, that will subscribe and buy the reversion of this company for ten or twenty years for £2,000,000, will make a good investment. But this scheme, which has met with such abuse and adverse criticism, is not a new one. Other companies in England have adopted this plan before. Within the last five or six years, according to a statement furnished to me, the London, Brighton, and South Coast Railway issued £1,500,000 of ordinary stock at 45 per cent. upon its par value. The Grand Trunk Railway of Canada issued £7,500,000 of ordinary stock at £22 10s. You know at what it has been selling. I am told that the Manchester, Sheffield, and Lincolnshire Company has issued £1,100,000 of ordinary stock at 50 per cent., and, therefore, we are not the first company to adopt a new scheme, which has been heralded by a good many people with a vast amount of ridicule. Gentlemen, it is folly to ridicule this plan. If I choose to accept an offer made to me by American houses of the most undoubted wealth and ability, I can secure a guarantee of the success of this scheme by paying 2 per cent. for it.

A bondholder: Two per cent, you say?

Mr. Gowen : Yes, 2 per cent. If I choose to accept an offer to pay 2 per cent. for the guarantee of the success of this issue, I have parties to-day who will take all that the shareholders do not take; but I should then be obliged to confine the shareholders to their strict quota—that is, to give to each a \$50 bond for a \$50 share and let the guarantors take the balance. (Hear, hear.) I believe, however, we may succeed without paying this guarantee, which is a very considerable sum of money. (Applause.) I do not propose to have any prospectus issued to the shareholders, giving them the opportunity of subscribing to this, unless the prospectus contains either of the following statements:—First, that we have paid a commission to guarantee the success of the issue, and that every shareholder will be confined to his strict quota; or, secondly, that without a guarantee we have a firm offer to take all that the shareholders do not take; and in that event the prospectus will probably authorize the shareholders to subscribe for more than their quota, subject to an allotment. We believe this security to be a good one; we believe it is greatly to the interest of the shareholders to take it, and I do know that no board of management would be justified in selling any to the public without first offering the shareholders the option to take it. So much, then, for the floating debt, and for the measures which are proposed to secure its extinguishment. And now as for the more important plan—to reduce the fixed charges of the Company to such a sum as will be entirely within its earnings in all future time. We have, as many of you gentlemen probably know, a vast number of leased lines. Nearly one-half of the railway system of the Company is held under perpetual leases. The present interest upon those leases is some three million two or three hundred thousand dollars. We have charged that annually in the working expenses of the Company. It represents, therefore, a portion of the fixed charges of the Company which have to be met in order to retain the property just as much as any charges resulting from the payment of interest or providing money for the sinking funds, which are very large—unfortunately so in our Company. The total aggregate of all the bonded indebtedness of the Company and of the leased line obligations runs up nearly to \$150,000,000 at par, but it could probably be acquired for \$140,000,000. It is proposed to create a new obligation, either a very long time or a perpetual 5 per cent. debenture security, divided into two classes—"A" and "B"—the "A" class having priority of lien and interest charge over the "B" class, and with the proceeds of these obligations it is proposed, by purchase, wherever it can be done, by payment wherever the obligation is at or near maturity, and by exchange, which shall be

entirely voluntary on the part of the bondholder, to retire all the present obligations of the Company. Now there are at the least 50,000,000 dollars which could not be acquired for many years. It is hopeless to ask a man with good security to give up a 6 per cent. bond and take a 5 per cent. one, unless, indeed, the 6 per cent. bond is so near maturity that the length of the 5 per cent. one, with equal security, will make it worth more in the market. There are, therefore, fully 50,000,000 dollars which at present cannot be acquired, but 100,000,000 dollars are easily secured. We should propose to purchase to the extent which the market rates would justify as many as we could. There are very large sinking funds upon some of our mortgages which have been in abeyance for three or four years, but which we have a right to draw for at par at any time. We can draw nearly 3,000,000 dollars next year for the improvement and general mortgages. The scrip for the general mortgages and deferred coupons mature within eighteen months. The divisional coal land mortgages, which have been selling at 60 or 70 per cent. have but ten or eleven years to run, and are liens upon particular pieces of land with large sinking funds. Fully one-half of those would be glad to exchange into a perpetual or long time obligation of 5 per cent. which will command a higher market price, and will insure them regular payment of interest. We have 10,000,000 dollars of open bonds that have no lien whatever, but are entitled to be converted into share capital, and some three millions of open debentures, with no lien which have no security except the name of the Company, and they have been selling at from fifty to sixty cents on the dollar. The holders will be glad to take at par a perpetual 5 per cent. obligation, and the success of this scheme is abundantly secured if you can simply exchange at par. I do not hope even to accomplish that much. If we exchange a 7 per cent. obligation at par we save 2 per cent. annually. The limit which I may have set myself to accomplish is to save  $1\frac{1}{2}$  per cent. upon \$100,000,000. We save the interest upon the floating debt; we save the large sinking funds which annually recur with augmented force, for they are all cumulative. We save all that, and by this issue we shall be able to reduce the annual charges of the Company to a sum entirely within our means. I have had several letters since I came to London, complaining bitterly on behalf of the bondholders about their being asked to surrender 1 per cent. of their annual interest in order to secure a dividend of 6 per cent. to the shareholders. If that were a fair statement of the case it would be utterly preposterous, I admit, but we do not ask a single bondholder to do anything unless he does it voluntarily. This scheme can be guaranteed,

and the immediate result of its being put into effect is to pay the bondholder his full interest, and to continue paying his full interest until he voluntarily and of his own motion surrenders his obligation. I have been criticised by a great many people, who tell me I may be a very fair lawyer, but that I am no business man, for, as they say, it is the most ridiculous thing in the world to give publicity to such a scheme, as, if it is to be put into practical effect, the proper way would be to buy up all the securities before letting the owners know anything about the plan; but my answer is that neither I nor any one connected with the Company desires to cheat or deceive anybody. We do not propose to buy a man's bond without first letting him know that we have the ability and the intention to do so. In my opinion, the best way of getting out of trouble, irrespective entirely of the question of morality, is to tell all we know and to rely upon the future of the Company to satisfy every one of our ability to carry out our undertakings. We propose to pay full interest on everything the moment this scheme is put into practical effect. I do not propose during my present visit to London to offer any of these new 5 per cent. bonds at all. Probably it will be sixty or ninety days before any of them are issued. I simply tell you that we have had offers from a syndicate of several large houses in America, who have agreed to furnish us with all the necessary capital to make this a complete success. (Hear, hear.) They have offered to keep us supplied with capital to the extent of \$5,000,000 to be disbursed by a committee, of which we shall supply three members, and the parties furnishing the money two. This will furnish money to pay the script and to buy up all the obligations, which must be retired before the new issue can be made. This syndicate has asked a commission of 2 per cent. for doing this, and it will in turn be guaranteed for another commission of  $\frac{1}{2}$  per cent. I hesitate about accepting such terms, although it is proposed to give us all the benefit of the purchase of the old obligations, and to give us the benefit of the whole of the market value of the new issue; the syndicate or its guarantors make nothing but their commission. We may accept such an offer if we do not get a better one; but, at all events, they are ready to carry it out.

Mr. Branch: What is the 2 per cent. to be paid upon?

Mr. Gowen: It is 2 per cent. on the par of the new issue.

Mr. Branch: And 6 per cent on the money.

Mr. Gowen: It was suggested that a very moderate rate of interest would be charged upon the advance, but I hesitate to pay any interest at all, as the commission of 2 per cent. allows a handsome margin for



interest on the advance of capital. Such is the plan presented by the Company. It has been approved by a committee of ten American gentlemen of very great ability and large holdings in the Company, and by all the Receivers of the Company. The United States Court, which has charge of the property of the Company, and without whose orders the Receivers themselves could not act, has authorized and empowered the Receivers of the Company to make the issue of the deferred bonds. (Applause.) We have, therefore, in the first place all the legal power and authority necessary to make the issue; and, in the second place, if we choose to pay for it we can have all the money necessary to make it a complete success. I did not call this meeting, nor come across the Atlantic, with the view of soliciting money aid from any of the shareholders of the Company. (Hear, hear.) It is the duty of the Company to offer to the shareholders the option of taking this new issue, but such option could have been offered and exercised without the necessity of my presence. If we had accepted the proposition to guarantee the success of the issue, there would have been no occasion to say or do anything but to issue a prospectus, giving to each shareholder, with proper notice, the right to subscribe to his particular portion of the deferred bonds. I came across the Atlantic, however, for an object which would have carried me here, irrespective of any financial condition of the company. You know very well that for many years we have been very much harassed. The company has not been prosperous. We, and I may say myself personally, have been subjected to a great deal of adverse criticism; but, I believe, with the exception of a few rather obscure newspapers, until the arrival of Mr. Powell in America, there had been no one who had dared to question the personal integrity of the management of the Philadelphia and Reading Railroad Company. (Hear, hear.) I desire to speak kindly of Mr. Powell and of every one. I am here as a business man, before business men, and I have no desire to waste time in obtruding personal controversies into any statement I may make. (Hear, hear.) There is one duty, however, which a man owes to himself, that transcends in importance the duty which he owes to the whole world, and that is the duty of defending his own reputation. (Loud applause.) With what Mr. Powell may have said in America, so far as it effects on myself with the American public were concerned, I should probably have found no fault. There I was well known—here I am not known, and therefore when Mr. Powell wrote me a letter to ask whether three years ago I did not tell him a falsehood, and to say that if he did not get an answer by Saturday morning, he would assume that I did, I



felt that I had something more to do than simply write him an answer. (Loud applause.) I thought it was my duty (at some personal inconvenience to myself, for I believe for thirty-one years this is the only Christmas I have not spent at home, and on that occasion I was ill at school), to come over to England to give the English shareholders an opportunity to ask whether I was such a man, and to tell them that I was not. Mr. Powell charges, or gives currency to a charge, affecting the integrity of the management; and as he is connected with, and represents a very influential, very intelligent, and very honorable committee, the charge comes with very much more force than if he simply acted in an individual capacity. He gives credence to a charge that two of the directors in this company practically made use of their position as directors to foist some of their own coal lands at considerably more than their value upon the company. Now, there can be no more serious charge than that. (Applause.) He asks me to say whether that was true or was not true, and he tells me that if he does not get an answer the day after he will assume that I told a falsehood. Now, I propose to tell you very frankly the whole story, and let you see whether the slightest possible fault could be found with it. The coal lands which we purchased occupied an area of about 100,000 acres, and were 100 miles from Philadelphia. Investments in coal lands, until the time of the great labor disturbance, were favorite ones with the people of Philadelphia, and it was almost impossible to find any board of directors of any company without some having interests in coal lands, and it happened that two directors in the Philadelphia and Reading Railway had interests in three out of the eighty tracts of coal lands which we purchased. One of those tracts was held by a stock company, and we bought the shares of that company. I have taken the pains to examine critically and carefully everything connected with these transactions, and the result is simply this—We bought 1,700 acres of a tract of land belonging to the Fulton Coal Company, of which these two directors had one-seventh; we paid for their shares at the rate of a little under \$300 per acre. and I would not take to-day \$1,000 an acre for that land. (Applause.) There is a rival road running through it, and it would sell in the open market for \$1,000 an acre to-morrow if it were offered. (Loud applause.) We bought about 1,700 acres known as the Philadelphia and Mahanoy lands; it has been producing a large revenue, and we paid for it at the rate of \$700 an acre, and it is paying interest to-day at the rate of \$2,000 an acre. (Loud applause.) If that had been all the directors had owned there would have been no question, because nobody blames a company for buying from its directors property which turns

out so profitable ; but if you happen to buy a tract of land which for some reason turns out to be a little less valuable, then you may expect to be subjected to very harsh criticism ; and we were subjected to criticism about the purchase of the Tamaqua tract. When I wrote to Mr. Powell I said the directors owned one-sixth ; they each owned exactly 11-70ths. We paid for the land at the rate of \$500 an acre within six months of the time that a rival company bought the adjoining land at \$1,200 an acre. The tract had four collieries upon it, but they were provided with bad machinery, and it was a question with us whether to expend more money or to dismantle them. Now, you can understand that having bought far more coal land and far more collieries than were necessary to produce the tonnage that the market was then taking, it became the duty of the Company to close any collieries which required a great expenditure of money, and to work those which could be worked most cheaply. And the moment the coal field was owned and consolidated by one great company, the life of many a colliery, which may have been only one or two years, was prolonged to twenty years by reason of the right of extension into an adjoining tract which the previous owner had no control over, and quite a number of collieries became again productive to us, because we could enlarge the territorial area under which their workings extended. We dismantled every colliery upon the Tamaqua tract, but that was entirely for our own convenience. We bought it for \$500 an acre, and I would not take \$1,000 an acre for it unless I was forced to do it in order to save the company from some great disaster. (Applause.) That is the whole story—the length and breadth of it, and upon that I was asked whether I had not told a lie, and that if Mr. Powell did not get an answer by a certain hour he should presume that I had. (Cheers.) I want to say one word, however, about one of these directors, Mr. Borie. If any man ever lived in Philadelphia who had the respect, the confidence, and I may say the love of its inhabitants, it was Mr. Borie. He was a member of General Grant's Cabinet, and he was a man whose integrity was as unsullied as the chastity of a woman should be. He had every confidence in the future of this Company. He left a will, in which he requested his executors not to sell any of his interest in it until it came up to par. Through four years of disaster that man stood by me and gave me his name on the obligations of the Company to the extent of three millions of dollars at a time, and all the time he never got one cent of commission, (Loud applause.) His own fortune was probably a million and a half of dollars depending upon the future of the Philadelphia and Reading Railroad, and yet he gave me

the use of his name to the extent of three millions of dollars at a time, for three years, and if it had not been for that we could not have gone through our troubles. And this man, who is dead, is to be charged with jobbery: who put double his fortune at stake for no other purpose than to maintain that strict sense of mercantile integrity which leads a man to pledge his fortune to sustain the honor of the Company with which his name is connected. (Loud applause.) Let me repeat this again. There was no fee; there was no reward; there was nothing but that strict sense of mercantile honor and pride which makes a man pledge his fortune to sustain the credit of any company of which he is a director; and I tell you to-day that if he had not died the Company would not have failed. (Applause.) Now I come here to tell you this, and this only. I came from a sense that it was due to you and due to myself that I should say it; but still more that it was an almost sacred duty to the memory of a very dear friend who is no longer living to answer for himself. (Cheers.) And now I have said my say. I have pointed out the financial scheme by which we hope to put the Company upon a safe basis. I tell you that the success of the scheme can be guaranteed; that you need have no fear on that score—none whatever. I tell you further, that the people who have offered to guarantee it are beyond doubt, both as to their means and as to their character. I have also made my answer to Mr. Powell; I desire to say nothing unfriendly towards him, but I have said that which I thought it my duty as a man to say. (Hear, hear.) And now let me say one word—or a few words, probably—about the future of this Company. You see the map, and I think probably most of you understand it. You see the dark shading which represents the coal lands. These are the two coal fields; this is the middle or Mahanoy field, and this is the Schuylkill coal field, and the red lines are the Company's roads. The Reading Railway Company owns, in area, about 33 per cent. of all the anthracite lands there are in Pennsylvania, and that is practically all of that kind of anthracite there is in the world; that is hard anthracite, capable of making iron, and which is also equally good for domestic purposes. It owns them in fee simple. In this 33 per cent. of area, there are 40 to 45 per cent. of all the coal in tons that exist in Pennsylvania; the Reading Railway has the best entrance to and the most numerous outlets from the city of Philadelphia. The Reading Company is in this position—it owns nearly all the coal in these two fields, and it owns 40 per cent. of all that exists in Pennsylvania. It is well established in Philadelphia, and by its connection with the Central New Jersey Railway it has equally good entrance into New York, and by the

Philadelphia, Wilmington & Baltimore Railroad, which runs from Philadelphia to Baltimore, and which is represented by this black line, it has an entrance equally as good to the city of Baltimore. For two years the Pennsylvania Railway Company, which controlled a mile of the line through the city, has prevented us making use of the outlet, but within the last three or four weeks the Circuit Court of the United States made a decision in our favor, and gave to us the right to pass over the disputed mile. (Hear, hear.) We have now, of all the companies in America, probably the best entrance into the three greatest Atlantic cities in America, and before I left home we had effected an arrangement with the Baltimore & Ohio Company by which their traffic to New York passes over our line instead of over the Pennsylvania line. The total output of coal last year was 26,000,000 tons, and there were 2,000,000 tons too much produced. Everybody knows of the crash which came upon the iron trade in the Spring, and had not that occurred the 26,000,000 tons could have been duplicated this year; but when the crash occurred everybody stopped buying, and, instead of sending 26,000,000 tons this year, we will send less than 24,000,000 tons. We confidently look to 25,000,000 tons next year, possibly 26,000,000 tons or more. These coal fields were developed during the war, when every industry in America was stimulated to its fullest extent. And when the demand for coal existing during the war ceased, we had to contend with an overproduction that for several years has prevented us from making much money, but I think we are now arrived at that period when the demand will be equal to the output, and when that time arrives we may safely look forward to the large revenues which will result from producing an article of prime necessity for which the demand is greater than the supply. And now I want to call your attention to the time when these lands were bought. There was, of course, one motive which influenced the Company, and that was that unless they bought the lands other rival lines would do so and divert the tonnage. But apart from this there was a reason which called for their purchase. All the principal railroads in America were then struggling to build or control Western lines in order to secure the tonnage of the west for eastern ports. I said then that the Reading Railroad Company should have nothing to do with Western lines until it had purchased the coal lands and secured its outlets in the Atlantic cities, and when that time arrived the Western lines would themselves connect with the Reading system in order to secure back-loading of anthracite for their empty cars going west. The statistics of the four American trunk lines—I do not include the Grand Trunk Railroad



of my friend, Sir Henry Tyler, and you will see how little we have been together to coach ourselves for this meeting, when I say that I have not even had the opportunity of asking him about it. But I refer to the Pennsylvania, the Erie, the New York Central, and the Baltimore & Ohio, and upon these the east-bound western traffic is 70 per cent. of their entire tonnage, and the western-bound traffic is only 30 per cent., and, therefore, you see that those great trunk lines have to carry 40 per cent. of their cars from 500 to 1,500 miles back empty. I care not how I may be criticised as a railway manager, or as a financier, but I do say this, that a railway company in America that can offer to the western trunk lines to take their east-bound traffic and load their cars with anthracite coal, will secure all the business it can do. (Cheers.) All this I know, and its correctness is assured by the actual occurrences of the past one or two years. We are to-day the Philadelphia terminus of the vast system of roads known as the New York Central, and a new line about being built will connect us still more closely with that system. We also get from Allentown the business from the New York, Lake Erie and Western Railroad destined for Philadelphia.. We carried, the first six months of this year, to Philadelphia nearly, if not quite, as much grain as the Pennsylvania Road did, and it was brought to us exclusively from the trunk lines. Then we have made an alliance with the Baltimore & Ohio Company by which we get its large traffic from Baltimore to New York, and there is a connection being made west from Harrisburg so as to make easy access to the coal fields, which will put us in connection for the supply of coal to the whole system of the Baltimore & Ohio Railroad, and by these means we will have access for our mineral product over three of the principal trunk lines of the United States. And no one can tell the extent to which this traffic in anthracite coal may be increased. When a man has once used it for fuel he will never again use bituminous coal. It has no offensive odor, it is most valuable for household uses, every servant in the household becomes a missionary for its introduction—"Hear, hear," and laughter)—and I have often wished since I have been here that I had some of it in my hotel, so that the servants would not be constantly coming into my room to make up the fire. (Laughter.) You make up your fire in the fall, when the cold weather commences, and it never goes out till the next spring; and I tell you that if you will only go down to Carmarthenshire and Pembrokeshire and bring up some of the anthracite found there and introduce it to London you will make your fortune, for though it is not the same as ours, yet for domestic purposes it is equally good. Not too indulge too much in po-



litical economy, there was a time when we used to get so much iron from England, that it supplied a great deal of the western-bound traffic. But this condition exists no longer, and, except anthracite coal, there is no great quantity of heavy tonnage to supply the deficiency in western-bound freights. Indeed, so eagerly is this product sought for in the west, that in cities like Cincinnati and Cleveland, organizations have been recently formed for the purpose of securing, as it were, some social pressure upon the inhabitants to induce them to burn anthracite and desist from the use of bituminous, for no other purpose than to preserve the beauty and cleanliness of the cities. There can be no question, then, of what is in store for the Reading Railroad Company in the future, and if it may be asked why we have not succeeded in the last few years, the answer is simply because we have but thirty-five million of dollars of open share capital, and one hundred and ten million dollars of actual indebtedness, with fifty million of dollars in addition of leased line obligations upon which we have been obliged to pay fixed charges that it was impossible to meet out of the current earnings of the company during the recent periods of depression. With reference to our inability to pay dividends we are little if any worse off than any of the other companies which are engaged in the same line of business. I ask you to remember that we are pre-eminently a coal and iron company, and, with reference to our inability to pay dividends, we are no worse off than the other companies engaged in the same line of business in America. The Delaware, Lackawanna, and Western Railway Company, which is not encumbered by recent purchases of coal lands, has been making no dividends for some years, although its open share capital is very large in proportion to the indebtedness upon which it is obliged to pay interest. The Delaware and Hudson Canal Company which has made no purchase of coal lands in recent years is exactly in the same boat with ourselves. The Central Railway of New Jersey, which is more nearly in our own position than any of the other companies, has not only been unable to make dividends, but preceded us in going into the hands of a receiver to protect its property from the effects of insolvency. The Lehigh Coal and Navigation Company, which is probably the oldest coal company in America, and which commenced to ship coal as early as the year 1820, has made no dividends for some years. The Lehigh Valley Railway Company, which is but very moderately involved in the purchase of coal lands, and which has been looked upon as a certain 10 per cent. earning company, has been obliged for several years to confine its dividends to but 4 per cent. instead of 10 per cent. We are, therefore, exactly in the same boat with all the other companies en-

gaged in the same business as ourselves, and yet we have been selected as the victims of the most excoriating denunciations because we have been unable to pay dividends to the shareholders ; if our finances had been in the same condition as those of some of the other companies which I have named, and especially if all the capital invested in our undertaking had been in open shares, we would have been enabled through the worst times through which we have passed to have paid from 3 and  $3\frac{1}{2}$  to 4 per cent. upon all the capital invested in the undertaking. I fear I have already trespassed too long upon your time—[“Go on, go on”]—but I really feel that I should explain to you the motives for the attacks which have been made upon the company, or rather I may say upon myself personally, and the reasons that existed for their having been made. I trust you will relieve me from any charge of egotism in speaking of myself in this connection, for if you look over all these attacks you will find they are principally against me, and not against the company. I have had personally a great deal of difficulty in America, as you can well understand. We are the only company that took hold of and effectually put down trades-unionism with all its terrors, and you know how powerful an element that is in a country where universal suffrage prevails. We extirpated all that element from our line, and incurred thereby a great deal of animosity from those who represented it, and we were subjected to a great deal of criticism from those in political life who wanted to get the votes of those with whom we were in antagonism. There is also great rivalry between the Pennsylvania Railroad and ourselves, which was intensified during the past year by an act which I committed, but which I think I was justified in doing, and which the calm sentiment of an honest community must ever approve. You remember the labor riots which occurred three years ago in America, during which there was such a frightful destruction of property. They took place in the month of July of the same year that I was here, and had the pleasure of addressing a meeting in this hall. In the month of March of that year we ascertained, from information which was entirely trustworthy, that the strike was to occur. The time named for it was August 15. The chief of the brotherhood of locomotive engineers was organizing throughout the country an association called the Train Men’s Union, which embraced within it not only the drivers, but the brakemen and the firemen, who have not the education or training of the drivers. The moment I ascertained what was to take place we issued an order discharging every member of the association on our line, and we had for a week or two in the early part of April a vast amount of trouble and difficulty, but we got over it all. I sent to

the executive of the Pennsylvania Railroad Company, and laid before him the evidence of the existence of the conspiracy, so that he might relieve his Company from all danger, and if he thought proper to take part with us in the struggle. He, however, did nothing; and when the strike, which was to occur on August 15, was precipitated in the month of July by the action of some men upon the Baltimore and Ohio Railroad, you know the Pennsylvania Railroad suffered very seriously, and property to the extent of a million and a half to two million dollars was destroyed in the city of Pittsburg by the rioters. A year or two after that an application was made to the Legislature of Pennsylvania to pass a bill appropriating \$4,000,000 for the payment of the loss. Now, as to the duty of the State to pay for it or not, that was a question upon which I should not have interfered, but as it was attempted to make the State pay \$4,000,000 for a loss that at the utmost was measured by \$2,000,000, I thought it was incumbent upon me to interfere, not only as a citizen, but as the President of a Company which would have had to pay one-third of the taxes incurred under the bill. (Applause.) You probably know that in Pennsylvania we have no State taxes upon land, but that the revenues are raised from taxation upon the corporations of the Commonwealth. Of course it is the people who travel and send goods who have to pay in the end, and there is no objection to that system. We do not object to it, if it is fair all round. Next to the Pennsylvania Railway we are the largest tax-payers in the State, and when it was proposed to take \$4,000,000 out of the pockets of the tax-payers to pay a loss of \$2,000,000, I certainly did object on behalf of one of the principal tax-payers, and I objected more especially as there were some very questionable practices which were being indulged in for the purpose of securing the appropriation. A committee of investigation was appointed, and succeeded in fastening those practices upon some eight or nine people. Among them were several men of wealth, and occupying prominent political positions. I was asked, as a lawyer, to prosecute them for bribery. I did so. I appeared in the first case, and we secured a conviction, and the others pleaded guilty. (Applause.) They all ran away for a week or ten days, but the most prominent one came back, and, after a long interview with the principal officers of the Pennsylvania Railroad Company, surrendered himself into prison, and was pardoned by the Governor (as were all the others) within a week or ten days afterwards. Now from that time forward I have had no peace; I do not mean to say peace of mind, because it has not disturbed my equanimity in the least—indeed, I rather consider it a feather in my cap. But there are three news-



papers in Philadelphia, the owner of one of them, I believe, was bail for the principal culprit, and another was his creditor; and they have since given me no rest; not a day passes without some attack being made upon me by them. But I can only say that it is like pouring water on a duck's back; I am sure they make money by it, and so it does them good and does me no harm. (Laughter.) It is only necessary for me to explain this to show why the President of our Company—which is exactly in the same boat with five or six other companies—is held up to scorn in the newspapers as being an obstacle in the way of dividends. Again, it is wrong to judge of us and of what our prospects are by the past five years of the greatest depression that trade has ever experienced in America. Why let me come here into your midst and talk to you of the five years you have just passed through. You know very well that the agricultural interest of England has been greatly injured by competition with America. Everybody knows that. Everybody knows, also, that there is some danger of the manufacture of textile fabrics here—especially those having cotton for their base—being interfered with by American competition. But if there are two things which will for ever insure the prosperity of England they are her coal and iron deposits, which are practically inexhaustible. But let anybody judge of the future position of England by the results of the last five years, and what is it all worth? Why, nothing. And I say to you here to-day that any man who comes forward with a financial scheme to get the Philadelphia and Reading Railroad out of its difficulties, and gauges its future prosperity by what has been done by it in the last few years, makes as great a mistake as *he* would do who should judge the future prosperity of great Britain by the returns of profit made in the iron and coal trades during the last five or six years. (Bravo, and loud applause.) Our company is not held in England by any means, in fact, there is but a very small proportion of its securities held here. If you take the obligations and share capital of this company, and those of its leased lines, they amount to nearly \$200,000,000, and of that amount \$140,000,000 are held in America, and \$60,000,000 only in this country. I know that the people interested in it in America have not lost confidence in the company, either on account of its management or the character of its property. I tell you they are imbued with the fullest confidence in it as far as the value of its property is concerned, chiefly from the fact that it is the greatest owner of anthracite coal lands in the United States. There has been no want of confidence in America; the great question with people there was, could we hold our breath during the period of distress? But they never felt any doubt that if

we could hold our breath for a year or two we should be all right. We have been able to do that, and I believe now that we shall have great prosperity during the next five or ten years. So far as my own personal connection with this company is concerned, I will say a few words if you will permit me. When I was a very young man I abandoned a very lucrative practice as a lawyer and took this, I feel almost tempted to call it, infernal position which I occupy to-day. I can assure you I have had more kicks than half-pence since I began it, and I say that it is not my intention to remain in office as president of this company after I have got it out of its trouble, but until it is out of its trouble, I do intend to remain where I am. (Great applause.) I have been placed in the position of receiver of the company by the court, the judge of which, with whom I have no acquaintance, and whom I believe I never saw in my life, was kind enough to say that if I had not asked for it he would have appointed no other but myself. I propose, therefore, to remain in my present position until every one who holds on to his property is satisfied, and admits that I can leave it with honor. (Loud cheers.) When that time comes, and it may come within a very few months, or it may be a year—but, whether it be a few months or a year, I shall remain until it does come—when that time comes I shall ask to be relieved from my position, and I shall insist upon being relieved except upon such terms and conditions as would speak very badly for the judgment of the company if they would consent to entertain them. I have borne the brunt of this time of difficulty through the past years of depression, and I simply want some of the glory in getting the company out of trouble, because as I have had but little money from it, the glory is all the payment I can take. I want you and everybody who knows me in America to be able to say, “Well, if you got us into a mess you did not run away;” and, with your kind forbearance and that of the American holders in the company, I shall remain where I am, and I believe I shall get it out of its trouble. (Loud cheers.) There is one thing more I have been asked to announce to this meeting, which it is proper that all the shareholders should know, and that is a change we are making in our London agency. You probably know that Messrs. M’Calmont Bros. & Co., who have acted as agents of the company, have for months past been anxious to retire from active business, and with their entire approval and consent we have determined to open an office of our own in London, and to place in it some one entirely competent to furnish information and answer all inquiries about the property of the Company and the details of its business and traffic. This office will have nothing to do with any financial business for the



Company, for Messrs. Glyn, Mills, Currie & Co., will hereafter act as the bankers of the Company, to receive any money due to it, and to pay its coupons to the bondholders. And now I have fulfilled my mission, and I stand here to answer any questions which may be asked of me. If any gentleman has any to propound, or has any fault to find, I trust he will fire away and not be deterred by any feeling of hospitality which he may think due to me. I am here to face every charge which may be brought forward, and to respond as best I may to every inquiry which may be made of me. (Loud and continued applause.)

A Bondholder: What is the present price of coal at Philadelphia?

Mr. Gowen: It would run from  $3\frac{1}{2}$  dollars to 4 dollars 50 cents, depending upon the character and quality of the coal. It may be a fair thing to say 3 dollars 80 cents to 4 dollars is the price; it hardly averages 4 dollars.

Mr. Govan: I wish it to be understood, before any further question is asked, that I speak as a large investor in the Company, and as a member of a firm that has held its common stock for years, and has never bought or sold. I was in America this summer; I happened to be there at the time the crisis occurred, and I was there before it occurred. Having been interested in the Company so long, I thought it my duty to make every inquiry I could as regards the management of the Company. When I went to the State I called on Mr. Gowen, and I got some information from him. I went to the bankers in Philadelphia, New York, and I may say Chicago, and got information as to the standing and ability of Mr. Gowen; and my own opinion then, and which I have retained during the last six or eight months of anxiety, is, that Mr. Gowen is the right man in the right place for the management of this Company. (Hear, hear.) I shall mention one thing Mr. Gowen told us, that a deceased friend, who was at one time on the Board of the Company, staked his own personal affairs for the Company's sake. I may tell you, gentlemen, that Mr. Gowen has done the same thing. He spoke to us of a captain seeing his vessel out of danger. Now, I read in a paper the other day of an event on the East Coast, where the captain stood at the helm while the crew were up the rigging, and he brought the vessel safely to port, and I beg to say that Mr. Gowen has chained himself to the wheel of this vessel, and that if we do anything in any way to hurt his feelings we shall do an unwise thing. Having examined into the affairs of the Company and its concerns, one thing which struck me is this—viz., the loyalty of the *employes* to Mr. Gowen. Those who have been connected with the Company for some time will remember

how Mr. Gowen acted in putting down the Molly Maguires. Mr. Gowen has managed the Company's affairs not only at financial but personal risk. On all sides I found that Mr. Gowen was appreciated, and understood as the man who had managed this line. (Hear, hear.) I shall mention one little thing, but it will interest you. At Reading, upon going into the machine shop, at the locomotive works, the furnaces were burning without any coal. Now, what is this? Mr. Gowen, himself, I was told, had invented a process by which what was formerly cast aside as rubbish is now used for the driving of the machinery, and this part of the Company's works is driven without the expenditure of a pound of coal.

Mr. Gowen: The credit for that is entirely due to the general manager of the Company.

Mr. Govan: Under your guidance.

Mr. Gowen: I took a great interest in it, but the general manager deserves the credit.

Mr. Govan: I desire before sitting down to say that I have every confidence in Mr. Gowen's management, and I think if you rely upon him you will see this Company brought to a successful issue, and put into a state of thorough soundness and prosperity. (Hear, hear.)

Mr. William Abbott: Mr. Chairman and Gentlemen, I confess to a certain degree of humiliation as an Englishman, that the gentlemen who have been so busy in maligning the fair fame and honorable conduct of Mr. Gowen have not had the pluck, which generally characterizes Englishmen, of presenting themselves here to-day to meet him. (Hear, hear.) I think, Mr. Gowen, it is only due to you, sir, that I, as an exponent of this large and influential meeting, should say that we heard your manly and outspoken statement to-day with an immense amount of satisfaction. (Hear, hear.) It is, I believe, the inheritance of greatness that you are certain to find opposition, and, as your success advances, that opposition will become more and more bitter. Personally I can speak from my own experience, and, therefore, sir, I have a special reason for sympathising with you. (Laughter.) But, sir, I commend you for the gentlemanly way in which you treated your adversaries, but I do not see any reason why I should disguise from this meeting the real reasons of the opposition to Mr. Gowen. (Hear, hear.) There has been a personal and bitter contest going on in America against Mr. Gowen's position as president, and also his position as receiver. It has been over and over again said that his position in the former capacity was about to be upset. Any man who has heard him to day will know that he is not the man to be upset.

(Hear, hear.) Then, sir, when you see such a large and influential meeting as this according you its warm support, I hope you will be strengthened in your determination to stick by this great property. (Hear, hear.) Now, gentlemen, as Mr. Powell's name has been mentioned in this controversy by Mr. Gowen, I think it only right that I should tell you what Mr. Powell's object has been in America. There are some people who, like the mole, prefer to work underground, but when they—and I think this is an American expression—are asked to face the music, they do not show the same amount of vitality as they do when underground. Mr. Powell is the agent of the Pennsylvania Railway Company; he is largely interested in it; and our president has told us that he has had a bitter conflict with the Pennsylvania Company with reference to a portion of the line in Philadelphia. Does not this account for the milk in the cocoanut? Does not this account for what appears in the *Daily News* and the *Times*, the two organs of Mr. Powell? He has prostituted the intelligence of these two City editors to his own level. (Cheers and interruption.) You be quiet, Mr. Branch, I will deal with you presently. I like opposition; I am going to tell the truth. Mr. Powell went to America, but before he did so—and as I see a large number of the members of the Stock Exchange here, they will know this—large transactions were opened in shares for the fall upon the distinct statement that Mr. Powell was going to succeed, and that the vitality of this company, so far as the ordinary shareholders were concerned, would be completely annihilated. Thanks, sir, to you, Mr. Powell has been defeated. On Mr. Powell's return the rumor was also circulated that the respectable firm of M'Calmont Brothers had turned their back on Mr. Gowen. The president has now told you that with the consent of that highly respectable firm the agency has been transferred into very able hands. But, gentlemen, I have a particular pleasure in following out the machinations of these gentlemen, who, with their coadjutors, are pretty generally understood to be what are called wreckers. It is not very long ago—and every one in this meeting who knows my name will remember the circumstance—that a very influential letter, amounting to a requisition, which was still further strengthened by a demand, was presented at the head of the respected chairman of the London, Chatham and Dover Railway, insisting upon an amalgamation with the South Eastern Railway, which, if it had taken place, would have done what Mr. Powell desired to do with the Philadelphia and Reading Railway, crush out its vitality. (Hear, hear.) Fortunately, somebody stepped in to stop that; and, instead of the London, Chatham and Dover Railway shares being worth £10, I am proud to

say they are worth £32. Who were the requisitionists for that amalgamation? Who held the blunderbuss at the head of Mr. Forbes? Messrs. Hazeltine and Powell, and their coadjutors, Messrs. Foster and Braithwaite. I tell you plainly that the advice of these gentlemen—respectable members, no doubt, and respectable firms—may be the voice of Jacob, but the hand is the hand of Esau. I will conclude, gentlemen, by stating that I place implicit confidence in our worthy President, Mr. Gowen, and all I can advise you to do with sincerity and with full knowledge, is to support Mr. Gowen, and so enable him to save you from your apparent friends. (Cheers.)

Mr. Ayrton: I wish to make one or two remarks, because I was present at the meeting when Mr. Gowen had to consider the affairs of this Company, and when he was good enough to attend and give us all the information we desired. On that occasion our meeting was brought to a successful conclusion, and a scheme was adopted which we thought, at the time, would bring about satisfactory results. We have, therefore, some reason to be satisfied with Mr. Gowen, coming here himself to-day to give another public explanation to the shareholders, of the grounds upon which he failed to carry out the promises he then gave. I am very pleased to find that he has taken this course instead of pursuing that policy which, I think, would have seriously prejudiced the Company, namely, keeping the bondholders and shareholders so much in the dark with reference to their affairs. It is true we have been told that there is some body existing in the City of London representing us; but we do not know who authorized it or constituted it, or what their objects were, or what, in fact, from that day to this, they have been doing. (Hear.) That is not a satisfactory mode of treating such an intelligent body of gentlemen as I see before me. I think the course taken by Mr. Gowen is not only consistent with the feelings and habits of his own countrymen, but equally consistent with the feelings and habits of people residing in this country. I am here in a very condoning spirit. We are in some embarrassment because this is a meeting of both bondholders and shareholders, and although we all have one common object in view, to maintain this Company and to carry it successfully through its difficulties, still we are very much like buyers and sellers who have one common object in view, though the particular interest in the transaction is very different. I have been for many years and am so still, only a bondholder, and I wish, therefore, to say that I speak now only as a bondholder with reference to what has fallen from Mr. Gowen, and the sooner we get to the business before us, and quit of the personalities of which I think we have had enough, the better it



will be for all. (Hear, hear.) Mr. Gowen has not put before us any definite resolution, and if he intends to move any resolution it would have been more consistent with the usual course of business if the gentleman who was to propose it had been called upon in the first place to address this meeting. If there is any gentleman so intending I shall be very glad to hear what he has to say; but, if not, I should like to call the attention of the meeting to the fact that we have no definite purpose at present before us. Are we to express an opinion upon the project that has been submitted to us by Mr. Gowen, or are we to go away just as we came without having had the satisfaction of hearing what he had to tell us?

The Chairman:—As Mr. Ayrton has raised the question of a resolution it would be only right that I should, at this stage of the proceedings, place a resolution before you so as to put ourselves in order. It was impossible there should be any resolution at this meeting at first, because the object of the meeting was to hear a statement from Mr. Gowen. Now, in the ordinary way some gentlemen in the body of the meeting would have made arrangements for proposing a resolution. That is the course generally adopted at meetings, but Mr. Gowen has only very recently arrived in England. He has, I believe, very few friends or acquaintances in this country, and he has not had the means which gentlemen usually have before the meeting is held of arranging the order of business, or of getting anybody to propose the resolutions. Under these circumstances I have been, while the discussion has been going on, writing out some resolutions, which I beg myself to move—(hear, hear)—and upon them we will found any discussion that may follow. I gather from the feeling of the meeting as we have progressed that what I have said in these resolutions will be perfectly satisfactory to the great body of the meeting. The first of them I should propose to you would be this:—"That this meeting, having heard the statement of Mr. Gowen, hereby tenders to him its thanks for that statement; and, having entire confidence in the integrity and ability of the present management, earnestly recommends that it be retained in charge of the affairs of the Company." (Hear, hear.) The second resolution is this: "That the share and bondholders present at this meeting having heard Mr. Gowen's explanation of the financial scheme proposed by the Company, hereby give it their warm approval and consent, and pledge their hearty co-operation in carrying it into effect. (Hear, hear.) I have myself only had the pleasure of seeing Mr. Gowen for about ten minutes three days ago, and about five minutes before we came into this room to-day, and therefore you must excuse me for not having better



prepared the business of the meeting. But there was one point to which Mr. Ayrton referred, and that was the question of the meeting being composed of bond and shareholders. That question Mr. Gowen did refer to me. His own idea was that the shareholders were those most deeply interested in these proceedings to-day, and that possibly it would be better to call a meeting of the shareholders only, but I ventured to suggest to him that the bondholders also were much interested in the affairs of the Company, and that it would be agreeable to them to hear at the same time as the shareholders the explanations which he had to furnish to them. (Hear, hear.) With those words I will leave the resolutions in the hands of the meeting.

Mr. Branch: Nobody came here with less intention of saying anything at this meeting than I did myself; although perhaps I am as much to blame as, at all events, some of you here, because I was one of those who consulted with Mr. Gowen when he came here three years ago about the affairs of this railway. I should not have risen at all to-day but for the entirely gratuitous reference made by Mr. Abbott. (Cries of "Question," and "Sit down.") I am entirely at a loss to know why Mr. Abbott mentioned my name, but notwithstanding his reference I have not the remotest intention of following Mr. Abbott, especially here and at this time, into the affairs of the Chatham and Dover Railway. On the right occasion for that matter to be discussed, I shall not be in the least afraid of standing up and answering all he has to say in reference to that. ("Time," and great uproar.) I will dismiss Mr. Abbott once for all, and I want to ask Mr. Gowen, as I have been forced to rise, a question which arose to my mind during the statement he has just made to this meeting. He said that he had had opportunities during the last three years of clearing off the floating debt of this Company, or, at all events, of materially reducing it, but he had not availed himself of those opportunities, because it would have involved a permanent charge for interest of, I think he said, of 12 per cent. per annum. The bulk of the reserve bonds being generally mortgage bonds at 6 per cent., the necessary inference from that statement was that he has not had a better offer for them than fifty cents per dollar for those bonds. With your permission I will pause for Mr. Gowen's answer as to whether I am correct or not.

Mr. Gowen: Mr. Branch has entirely misunderstood me. I said that there was a time at which I had been offered assistance for the Company which would have been at the rate of 12 per cent. That was before I came to London three years ago. We were offered to take the bonds at fifty cents per dollar, and we were offered, if we

would sell a great many other securities we had, a price that would make up the deficiency.

Mr. Branch: It only seemed to me that Mr. Gowen must have had many better opportunities of relieving the Company to the extent of these mortgage bonds, from its floating obligations during the last two years. (Interruption.) But, if the sale of those bonds had involved an interest at 12 per cent., however good a reason it may have furnished for not selling them at so reduced a price, I cannot see that it is a good reason in the mouth of Mr. Gowen, who comes here and proposes another scheme for the relief of the Company from these same obligations which involve a charge—not a 12 per cent., but, as he says, in the unlikely but still possible contingency of prosperous times—(cries of “Nonsense,” “Time,” and hisses)—not of 12 per cent., but of 20 per cent. (A Voice: “You are fogged,” and interruption.) I say that it is useless for him to discuss the items of this proposition. (Uproar.)

Mr. Gowen: Gentlemen, I must ask one favor of you, and that is, to let Mr. Branch have his say, and I shall be ready to answer him. (Cheers.)

Mr. Branch proceeded to address the meeting amid much interruption, and ultimately a motion was put to the meeting, and carried by acclamation, that he be not heard.

Mr. John Taylor: In seconding the first resolution, proposed by the chairman, I will only say a few words. The committee which have co-operated with the managers of the Philadelphia and Reading Railway have had their position called in question in the newspapers of the last few days, and therefore I just wish to give you the evidence of the opinion of the *Public Ledger* of Philadelphia. Any one acquainted with the newspaper press of America knows that that journal occupies the highest position amongst commercial papers in the country. In the *Philadelphia Ledger* of November 6, there is the following:—“The committee will consist of the following well known gentlemen, among them being several of the largest holders of the securities of the Company in this country:—J. B. Lippincott, I. V. Williamson, Eckley B. Coxe, and H. Pratt M’Kean, all of whom are managers of the Companies; Moses Taylor, or a representative to be named by him; Charles H. Rogers, President Tradesmen’s Bank; Isaac Hinkley, President Philadelphia, Wilmington, and Baltimore Railroad; Frederick Fraley, Daniel R. Bennett, and Thomas Cochran, President Guarantee Trust Company. In this city, where these gentlemen are well known, no one can fail to have confidence in such a committee, or doubt the propriety of any recommendation it may make.” One

of the members of the committee whose acquaintance I have made is Mr. Coxe. He and his brothers are the largest anthracite coal owners in America, and he holds the position of President of the American Institute of Mining Engineers, and within a few weeks he has been elected a member of the Senate of Pennsylvania. He sent me a telegram that he entertained most favorable views of the prospects of the Philadelphia and Reading Railway, and that he approved the deferred scheme. Then, again, the *Public Ledger* says:—"At a full meeting of the American Committee of the Philadelphia and Reading Railroad, held in Philadelphia yesterday evening, all being present, a plan for the relief of the company from its financial difficulties was presented by Mr. Gowen, the president of the company, and, after examination, was unanimously approved and recommended by the committee for adoption by the company." The members of this committee hold largely in the securities of the company, and are greatly interested, and if we have the unanimous verdict of this committee and of the managers of the company, and of the court, to which the receiver is to appeal, I think it is a very good reason why we here, who do not know quite so much about it, should also approve of it. (Applause.) I do not think we can do better than to follow the course which they have adopted. I have one word more to say. I was lately waited upon by a gentleman whose father holds a position in the First National Bank in Richmond, Indiana, and in speaking of Railroad prospects, quite apart from the Reading Railway, he told me that the consumption of anthracite coal in the State of Indiana was increasing at the rate of 30 per cent. per annum. I mention just that one little fact, as pointing to the future of the anthracite coal trade. Mr. Branch's objection is that we are going to get 20 per cent. on the deferred issue; but I think that is a good argument why we should go in for the scheme. (Hear, hear.)

The Chairman: Does any gentleman second the second resolution?

Mr. Clegg (whose remarks were most imperfectly heard at the reporters' table), said: I will do so with pleasure, and I consider it is our duty to hold on with the company. I believe the company will yet pay dividends, like companies which have been similarly situated, and that sooner or later we shall bring it through.

Mr. Campbell: I have heard with interest the remarks which Mr. Gowen has made to-day with sanguine enthusiasm, but I should like to ask him a question with regard to the annual report which was issued with the accounts. The accounts it is impossible to understand, but it is not Mr. Gowen's fault, but the fault of the system of the the company. We are there told that the ship has weathered the

storm, and we are congratulated upon it, and my question now is, can Mr. Gowen justify the expressions used at the end of the annual report when insolvency was staring them in the face?

Mr. Gowen: I desire to say so absolutely and entirely. That statement was based upon an announcement that it was believed a tonnage of 9,000,000 would come on the railroad and an output of 5,000,000 of tons by the Coal and Iron Company would be obtained, and it was stated that if such a result were obtained the dividend there mentioned would be earned. Instead of obtaining 9,000,000 tons upon the railroad we had but 7,200,000, and instead of an output of 5,000,000, for the mines worked by the Coal and Iron Company we had but little over, I think, 3,500,000; and I say here to-day that if we had had the tonnage we had reason to expect until the breakdown of the Iron trade in the spring of 1880, which prostrated all the industries of America, we would have earned fully what was there stated. (Hear, hear.)

The Chairman then put the two resolutions separately, and each was carried with but one dissentient.

Mr. Van Raalte: I think, before the meeting separates, Mr. Gowen should have our thanks for having come all the way from America, to lay before us the statement he has done to day. (Hear, hear.)

A vote of thanks to the chairman, Sir Henry Tyler, brought the meeting to a close.